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Gary, Elbert Henry

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Co-operation in American Business

A Vital Principle for Procuring Prosperity in the United States by Means of Industrial and Social Efficiency.

An Article Contributed to The Market World and Chronicle
March 27, 1915
By
ELBERT H. GARY

Republished from
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CAMBRIDGE, MASS.

FOREWORD

A danger ever present for democracies, or nations organized upon the democratic principle, is that they should lose their common and coherent purposes, should fall into divided and even antagonistic interests, and should forget the general welfare in the midst of the efforts of certain classes or sections to obtain an advantage over the others. It has been the unhappy history of democracies in the past that, while during the period of their creation and establishment they have been inspired by the fervor and governed by the unanimity of the great struggle for an object desired by all, they have later fallen into a kind of distraction and loss of creative energy through the inability of their citizens to remain steadfast to common principles or to co-operate to common ends. Internally, they have lost efficiency, and hence vigor and prosperity, because their domestic contentions have revolved about the desires of a part and not about the good of the whole; externally, they have gradually yet certainly given ground to other nations, because their lack of consciously united strength has been not only a continual handicap to them in the unending competitive contest in the economic field, but also a perpetual source of political weakness. This having been the experience of democracies in the past, it is not without reason that the great modern democracies, including our own, are still often called by thinking persons, "experiments in government." In the minds of the judicious it is not yet an assured fact that these democracies will endure. What is an assured fact, in the opinion of the judicious, is that they will not endure, unless they can demonstrate their ability to think and act harmoniously, and not sectionally or factionally.

What has just been said obviously applies to the United States, and more to-day than ever before in the history of the country. To remain a triumphant democracy we must have broad and firm co-operation of thought and action, resolutely maintained as our public policy and as the policy governing all our industrial and social activities. And the duty of seeing to it that this principle prevails can lie nowhere else than with our business men, who in the last resort must be depended upon for leadership in our affairs. This is the lesson of Judge Gary's article, printed in the following pages.

THE EDITORS,
The Market World and Chronicle.

CO-OPERATION IN AMERICAN BUSINESS

By Elbert H. Gary

Chairman, United States Steel Corporation

WE are living in a vital period. Never before within our memory has there been a time when so many problems fundamental to true progress presented themselves to thinking men. These problems call for expert examination, clear thought and sober judgment. They are not merely the problems directly arising from the disturbance and distress occasioned all over the world by the great struggle now going on in Europe, though these alone are perhaps the greatest problems with which mankind has ever had to deal. The problems I have specifically in mind, however, are larger even than these; they reach into the future. They have to do with the whole scheme of the organization of society and its interests, especially as regards those things that must always primarily concern the great majority of men and women, namely, the industry, commerce and other activities which form the basis of their individual and social welfare and which enable them to be efficient, both individually and also socially and politically. Here in the United States, particularly, we are in more than one sense at a parting of the ways. We are all naturally preoccupied at the moment with the restoration of the national prosperity which has been interrupted by the operation of the new tariff, by the great war and by other causes. The war itself is making it clear that the real question is larger than this. We want prosperity; but we want it solid and enduring. We want to make sure that, while our free institutions are maintained in a more vigorous condition than ever, we do not get out of step with the onward progress of the world and thus fail to hold our own with nations that may be learning the secrets of progress faster and better than we are.

Correct decisions leading to just action during the next few critical years will mean much to the solidity and permanence of this Republic. The continuance of misunderstandings, of mutual criticism,

and of working at cross purposes among the men and groups of men who are shaping our destinies, may serve to carry us into errors from which a full recovery may not be possible. I may quote here what I said recently in another connection:

"The tendency of the times during the last few years seems to have been opposed to business progress. This has been shown in publications, utterances of public speakers, introduction of many vicious bills into the legislative branches of Government, the passage of some unfavorable laws and, in some instances, a disposition to go beyond reason and justice in the effort to administer the laws.

"The reason for these adverse conditions has been partly the fault of the business men. We had become more or less careless in management, indifferent to the rights and interests of others, regardless of our responsibilities toward those for whom we had become trustees, as directors, officials or otherwise, and unmindful of the general public welfare. I make no personal reference and have no individual or corporation in mind. All of us failed to measure fully up to our obligations.

"Many of those who criticised were actuated by the best of motives, others by the desire for notoriety or individual advancement. The effect was bad and in many instances not justified."

The great war which is now shaking Europe and the world has served to arouse many dormant intellectual and moral forces, not the least among which are the forces of economic and political analysis. Behind the clash of armies, trained economists and students of the welfare of nations perceive world problems, whose working out, successfully or unsuccessfully, will determine the future of all peoples, whether now included among the belligerents or not. The issues are not merely the victory or defeat of the one or the other group of these belligerents, but great fundamental principles of human progress. The financial and commercial convulsion of the whole world at the outbreak of the war; the sudden and painful discovery that no country now-a-days can live for itself alone; the sharp realization that even nations at peace and remote from the conflict must, by a strong and dependable co-ordination of their own affairs, be prepared for the difficulties arising from such a conflict,—these and other impressive lessons of the war in Europe have stirred the minds of thinking men everywhere to reconsider their vague and often merely traditional

ideas of what is good for peoples, taken either collectively or individually. Probably there is now a consensus of opinion, among those whose judgment is worth having, that after the war is concluded it will no longer be possible for a great nation to go on in a happy-go-lucky way, with no common purposes and aims, if it desires to remain a permanent force in the world, holding its place in the vanguard of progress.

It may safely be said that history has not recorded a great human catastrophe which carried for the world so vivid and unmistakable a demonstration of fundamental truths. Many great events are capable of misinterpretation; but, it seems to me, the present war, whatever may be the differences of opinion as to its diplomatic preliminaries, stands forth, in the eyes of the far-seeing statesman and of the wise economist, clear and clean-cut as regards the great ultimate conclusions to be drawn from it. Fundamentally, I believe this war was made possible by the failure of men and women constituting great populations to insist upon the application, in respect to their economic activities and interests, of the simple Christian principles of mutual forbearance and co-operation which they avowed as a religious or social creed. As I said in an address delivered during October last:

"Without giving reasons in detail at the present time, I venture the opinion that the struggle for commercial supremacy was the underlying cause of the war, or at least had a decided influence upon its precipitation; that the questions at issue largely relate to dollars and cents. And many believe that if representatives of the different nations had previously met in a spirit of friendly and considerate inquiry for the purpose of definitely and finally settling the financial interests of each, all trouble could have been averted."

It is believed that the idea here suggested,—namely, that deliberately chosen representatives of the nations now at war could have averted hostilities and saved the world all the unspeakable suffering and waste of the titanic struggle, if only this course had been pursued,—is one that must commend itself to every thinking person who has had an opportunity to observe how much can be accomplished in the way of reconciling even inveterate and passionate differences between men through the use of frankness, fairness and reasonableness in the discussion and determination of their respective rights. But whether this be carrying reliance upon right reason too far or not, the principle

involved is sound. A nation is an aggregation of individuals. Its standards reflect the ideals of the active majority of its people. If this active majority is not co-ordinated and united in spirit, if it knows nothing of the co-operation of citizen with citizen, class with class,—if, in short, it is simply a great undisciplined, unruly, envious and bickering family,—then the nation can hardly be depended upon to act with singleness or loftiness of purpose, whether in a great emergency, or in the continuous daily development of its prosperity and national welfare in general. In the address from which I have just quoted, I made use in another passage of a personal experience which brings out, in a field where it has actually been tried, the scope of the idea in mind. With some omissions, the passage is as follows:

"About three years since, a few representatives of the iron and steel industry of this country had the privilege of meeting in Great Britain and Continental Europe the leading representatives of the iron and steel manufacturing interests of the world. For several days we were in close association with those men and became well acquainted with them and the spirit and motives which dominated their attitude and treatment of one another. The countries represented included England, Scotland, Wales, Belgium, France, Germany, Austria, Italy, Russia, Spain, Hungary, Canada and the United States.

"All were active competitors, individual concerns of a single country with each other and each country with all other countries. Nevertheless, it was evident that a feeling of business friendship permeated the minds and influenced the conduct of these men, and this in the main tended to establish and uphold an orderly and profitable management of the affairs entrusted to them.

"If the large numbers of business men who represented on this memorable occasion all of the countries engaged in the iron and steel industry could have had opportunity to consider and determine the questions leading up to the war which is raging in Europe *there would have been no war*. These intelligent, experienced, practical, sensible and Christian men, being from time to time in close contact, and therefore well acquainted with each other, would have been patient, considerate and fair-minded and would have made adjustments and reached conclusions calculated to protect the interests of all and to prevent the possibility of the present deplorable hostility."

I do not desire in this article to analyze the merits of the cause

of one or the other side in the European War, nor to compare the national efficiency of the several belligerent nations. But whatever may be our personal sympathies or opinions in connection with this subject, there appears to be a general agreement that the chief reason for Germany's recently acquired national, industrial and commercial prominence is the spirit of co-operation running through the entire economic and social life of the country. The conscious aim of the Government of Germany and of the leaders of German thought and of German business, ever since the Franco-Prussian War, has been to bring into harmonious co-ordination, without the waste of the blind antagonisms and competitions of the various classes of the productive population, all the constructive and progressive efforts of the German people. From the standpoint of a neutral nation, it can hardly be denied that there is food for thought in the following account of their application of the principle just mentioned to the needs of the great national crisis that had arisen. The Imperial Vice-Chancellor, Herr von Delbrück, is reported to have commented upon the effectiveness of the German industrial and commercial organization and its ability to withstand the shock of war and the extraordinary demands made upon it by the necessities of war, in the following language:

"I had a talk with the gentlemen representing the control of the sugar industry, and in fifteen minutes we had settled all the questions affecting it. I met other men and we quickly settled the textile and chemical industries. I met representatives of all the agricultural organizations, and in an hour we had settled all questions pertaining to the food supply. Germany, as no other country, is centralized industrially as well as economically, giving us an organization which makes us unconquerable, economically and industrially."

Comparisons are not necessary in this article. The object of this quotation is to set forth a practical application of the economic principle of co-operation on a large scale. The deduction proper to draw is that a great nation like the United States, with its immense problems, no longer local but inevitably and increasingly international as they must become, should give deep thought to the example which has thus been afforded to the world of what may be done along certain very definite lines of co-operative organization, not for the benefit of the few but for that of the many; not for the benefit of a particular class but for that of the entire nation.

It is worth remarking at this point that almost unconsciously we have ourselves had the benefits of co-operation brought home to us by the necessities we have had to meet in the months since the European War broke out. As all remember, our financial and economic situation in the earlier part of 1914 was not all that could be desired. In fact, many of our great industries were in a depressed and even embarrassed condition. The gradual recovery from the strain of 1907 had been in a measure checked by a variety of forces. There were reasons, however, for expecting an improvement in the near future. Then, all at once the whole industrial fabric was temporarily paralyzed by the sudden diversion of the great forces of trade and industry from their proper object to the vast destruction of human life and of accumulated capital. And the consequences were so tremendous, even for us, that there had to be co-operation lest all should be destroyed. Finance, industry, commerce, both domestic and international, were compelled to work together, or go down in general ruin. The story can never be completely told of the extent of the mutual assistance given, of the courageous and unselfish standing by those caught in the maelstrom, of the disinterested co-operation of the most diverse interests, in order that the wheels of industry might continue to turn and the ways of commerce continue to be open. At length it can be said without undue optimism that the skill and courage of our citizens working together has brought this country into a position of substantial adjustment to the changed conditions. It seems probable, moreover, that the impulse which has been given to men's minds by the crisis through which we have passed will make the final adjustment of all the consequences of war, when it comes, more fundamental and more lasting than it otherwise could have been. It is certain that the attitude of awakened attention and of creative interest in economic problems which this world catastrophe has produced in the United States will tremendously hasten the time when public opinion here will undertake a permanent solution of questions profoundly affecting our welfare as a people, of which we had begun to catch glimpses some time before the effects of the war suddenly and violently brought them home to our minds, but which we were not yet ready to act upon.

As long ago as the panic of 1907 and its aftermath of trouble in this country, it had begun to be clear to some of us that the industrial

and commercial interests of the United States had become too vast and too complex to be left in their old-time hap-hazard and disorganized condition without grave danger of recurrent crises and panics, probably each more severe than the last with the passage of the years. Some method of integration and co-ordination had become a necessity from the point of view of the public good. I believed then that I could see signs that this lesson of 1907 was being appreciated among business men; and on January 2, 1908, as light was beginning to break after the darkness of the panic year proper, I made the following comments upon the situation, which were published in the "New York Herald":

"The experiences of the last year have been of great value. We have been extravagant in every direction, and have been compelled to realize it. We understand better than ever before that our financial system is not perfect, and that there is need of some changes in basis and in methods. Better supervision and improved management have been shown to be necessary. We appreciate more fully that a good banker may not be fit to operate a blacksmith's shop, nor a blacksmith fit to manage a bank. Moreover, it may be safe to assert that most, if not all, of the people now believe that publicity in regard to, and regulation of, large enterprises are more important to be considered than the mere question of the right of such enterprises to exist.

"One of the factors to be borne in mind is the disposition which now exists in the minds of managers of some lines of industry to co-operate. Never before has this subject been given so much thought and attention. It may prove to be very important. The effort is to base action on fair and open dealing. Competition is not to be stifled, but rather to be encouraged by the competitors themselves. This may be a departure from old methods; still it should be beneficial to all concerned."

Since these words were spoken, much has been done in the direction of industrial co-operation in this country. As I thought then, I think now: that the most terrible waste possible is human waste. If industrial development has a place in the progress of civilization it should be organized upon a basis of elimination of preventable human waste. It should not be carried out along the very principle, or lack of principle, which, as between the nations of Europe, has been so powerful a contributing cause to the present war. It should not be

carried out along lines of unrestrained and cut-throat competition, which is itself hardly different, in many of its cardinal phases, from actual war.

More than this, as we look back over what has been happening in the business world in this country since 1907, and particularly as we reflect upon the co-operative spirit displayed during the past seven or eight months of strain and anxiety, we become more convinced that very great progress has been made among our business men towards the comprehension and in some degree the realization of the idea of co-operation which was pointed to in 1908 as one of the most hopeful signs of recovery from the depression of the panic of 1907. While it is true that this has been very little perceived or appreciated in political circles and that the tone and temper of legislation have shown almost accentuated acrimony in respect of tendencies whose necessity has been becoming apparent to far-sighted business men, there is abundant evidence among the latter class that their minds are turning more and more to the ideal of industry and commerce conducted along co-operative rather than wastefully competitive lines. The desire for organized efficiency has always been particularly strong in Americans, and possibly no other people has ever carried organization and efficiency in an individualistic sense farther than have we. Now it is rapidly dawning upon the clearest thinking of our citizens that there is still a higher kind of efficiency than that of competitive individualism, namely, the efficiency of properly devised and safe-guarded co-operation.

This raises the question why there has not been a more rapid acceptance by the American public generally of the principle of the higher efficiency made possible by such co-operation and co-ordination in industry and commerce as have been producing the remarkable results referred to in Germany. Why is it that in a people like ours, in which efficiency has always been a passion and organization has achieved some of its greatest triumphs in certain limited fields, there has not been a fuller application of the principle that general organization on co-operative, instead of brutally competitive, lines, yields the highest results in efficiency, both for the several branches of industry and commerce and for the people as a nation?

I think there are two reasons which may be given. One has to do with the difference in the conditions which have characterized the

economic growth of the United States and of Germany. In the latter country the natural resources at hand have been strictly limited. The population of nearly 70,000,000 souls is crowded into an area of 208,794 square miles, on a basis of nearly 317 persons to the square mile. In the United States, the wealth of national resources has been as proverbial as has been the lavish extravagance with which we have consumed them. Our vast area of over 3,000,000 square miles liberally supports our population, on a basis of less than twenty-eight persons to the square mile. Organization and co-operation in the German sense have not been forced upon us by our environment; and we are only gradually awakening to the fact that our resources are not limitless, and that the waste of natural and human material is radically wrong, no matter how vast our resources.

The other obstacle to the growth of co-operation in the United States has been, perhaps, an inherent repugnance on the part of most of us towards any relinquishment of individual liberty. Few Americans would combat this tendency. It is fundamental to the safety of the great experiment in free government which we are trying in this country.

Just here, however, comes in the lack of clear thinking which is the chief obstacle that remains to be overcome before we have the fuller application of the principles of co-operation in the United States. The proper application of those principles does not restrict, but rather increases the liberty of the individual. The security to the industrial worker, through co-operation, in respect to greater safety, shorter hours, more continuous employment, and a share in the increased profits which these conditions bring about, should certainly not be considered other than an increase of personal liberty. In industry, as with the individual, liberty is not so much a matter of freedom from restraint as it is the acquirement in increasing measure of the rewards of labor, both of the mind and of the hands, through intelligent and mutually helpful meeting and overcoming of the obstacles which must be met each day.

But a sharp distinction must be drawn. The application of efficiency by organized and co-operating units of the people who are doing the work is totally different from the imposition of organization by the government. In this vital matter it seems possible that the temper of the American people differs from the temper of the German

people. And it may be proper to ask the question as to whether the proper development of the co-operative principle in the United States has not been hampered by the fear which various experiments in paternalism have instilled into a large body of our citizens, that a National Government by Commission was being unreasonably imposed upon them. We need publicity and we need wise government supervision for the prevention of abuses; but, subject to these checks, the co-operation of individual initiative is alone consistent with the political and social ideas of this country.

In the era of clearer thinking in the United States, into which we are about to pass, and whose coming has been greatly hastened by the war in Europe, it seems probable that a careful analysis of these obstacles will be made, and that, with a full understanding of the facts, there will come correct judgments on the part of the public. Then there should follow not only co-operation within the various industries, but among all industries,—in fact, among all the great constructive forces which form our national strength. The object of this paper, however, is not to furnish that analysis, but to state the problem.

The guiding principle of the day should not be: "Let us be prosperous"—but rather the broader one, "Let there be light." The rule-of-thumb days are passing. It is pre-eminently necessary for the people to be rid of panaceas and propagandists, of political theorists and demagogues, and to return once more to the simple facts as they are developed by experience. Let us emphasize these basic truths, and the judgment of the average thinking man may be relied upon to evolve the principles of action which are essential to the prosperity and happiness, if not to the very existence, of the nation.

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